

Top Secret

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NATIONAL INTELLIGENCE DAILY CABLE

Thursday 2 March 1978 CG NIDC 78/050C



NATIONAL SECURITY INFORMATION

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25X1. National Intelligence Daily Cable for Thursday, 2 March 1978

[REDACTED] The NID Cable is for the purpose of informing senior US officials.

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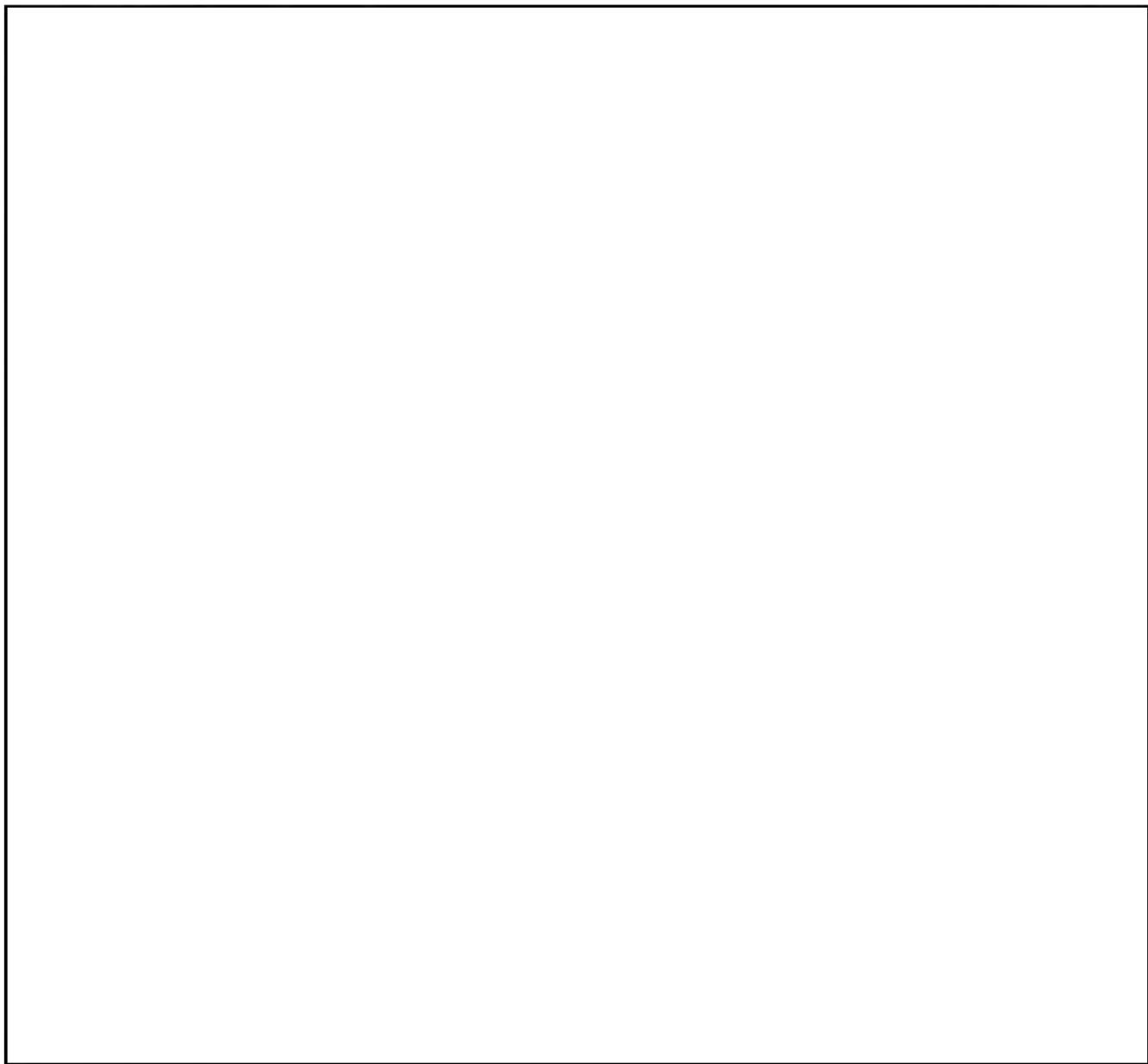
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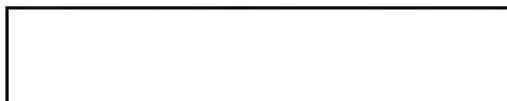


PALESTINIANS: Terrorism Increase

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//Palestinians of various political stripes apparently have attempted to increase the level of their terrorist operations on the West Bank and in Israel during the past three months. A substantial number of incidents have occurred

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since early December, including the assassination of at least three Palestinians accused of "collaborating" with Israel. Israeli antiterrorist measures often are successful but cannot prevent all Palestinian operations.//

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[redacted] Small-scale bombings have occurred fairly regularly. One of the most serious took place on 14 February when a bus exploded in Jerusalem; the explosion killed two persons and injured some 43.//

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[redacted] //While generally forswearing international terrorism in recent years, even moderate Palestinian leaders continue to maintain that terrorism in the occupied territories is an integral and justifiable part of their struggle. Such operations are designed not only to discourage collaboration but also to demonstrate that the PLO is a force to be reckoned with and that it can operate despite Israeli security measures.//

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[redacted] //Security is tight in Israel, the West Bank, and the Gaza Strip, and in recent weeks several groups of suspected terrorists have been arrested. They have included alleged members of Fatah and Saqiya, as well as more radical organizations such as the Popular Front for the Liberation of Palestine.//

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is a growing conviction among West Bank residents that Sadat's peace initiative will founder, and that despair over prospects for a settlement is tending to strengthen support for radicals in the PLO.

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USSR: Price Changes Announced

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The USSR's sharp increases in retail prices for gasoline and a variety of luxury goods yesterday point up Moscow's concern for oil conservation, repressed inflation, and the shortage of high quality consumer goods. The Soviets simultaneously cut prices on some manufactured goods in hopes of improving their sales.

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Spot shortages of gasoline and other fuels have occurred throughout the USSR during the past two years, and Moscow is signaling the serious nature of its efforts to reduce the growth of energy consumption.

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The price increases, however, could have only a small impact on oil consumption. Private gasoline consumption accounts for only about 1 percent of total oil use in the USSR, compared to roughly 33 percent in the US and some 10 percent in Western Europe. To some extent, Moscow probably is counting on the price increases to sop up excess consumer purchasing power and provide an additional source of revenue for investment spending.

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Retail prices of gasoline for both state and private consumers were doubled, to 85 cents per gallon for low-grade and \$1.02 and \$1.10 per gallon for premium grades.

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Prices of gold and platinum jewelry went up by 60 percent. This is the third known increase in such prices since 1969. The decision to raise these prices reflects Moscow's intent to cut domestic use of these metals in order to increase the amount available for export. Gold and platinum are major sources of hard currency earnings, and brought in about \$1.6 billion in 1976, roughly 16 percent of Soviet hard-currency exports in that year.

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Chairman of the State Committee on Prices Glushkov blamed the more than 300-percent increase in the price of coffee, as well as unspecified increases in the prices of cocoa

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and chocolate, on rising world commodity prices. Soviet imports of coffee and cocoa beans dropped sharply in 1976--by 25 percent and 15 percent respectively--as world prices began to soar. Imports probably declined further last year.

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Although tea is the Soviet national beverage, and coffee and cocoa are mostly consumed by higher income groups, there has been widespread grumbling among urban and white collar workers over the prolonged shortages of coffee and chocolate in major cities late last year.

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In an effort to play down the impact of these price increases, Glushkov stressed the leadership's long-term policy of stable consumer prices, and announced price reductions for black and white television sets, refrigerators, and clothing. Selected consumer durables and clothing regularly are reduced in price early each year. Complaints of growing stocks of certain models of black and white television sets and refrigerators have been appearing with increasing frequency. Lower prices should help reduce inventories.

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CUBA-USSR: Nuclear Power Plants

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//A team of Soviet nuclear scientists and engineers is in Cuba planning to set up a nuclear power station, probably at Cienfuegos. The station will include two nuclear power plants, each incorporating 440-megawatt pressurized water reactors. The first plant is scheduled to begin operation by 1985. Cuban scientists, engineers, and technicians are in the USSR for training in the installation, operation, and maintenance of plant equipment.//

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//The USSR is supplying the plants under a five-year bilateral economic and scientific agreement signed in April 1976. The Soviets will provide concessionary loans, with a grace period and a 15-year repayment schedule at 2-percent interest.//

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//Because the Soviets have similar arrangements with Finland and East European countries, we believe that the Soviets will furnish the nuclear fuel and that the spent fuel will be returned to the USSR for storage or reprocessing.

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25X1 . [redacted] //Soviet reactor safety standards are not as stringent as those in the US, and the pressurized water reactors that the Soviets now export incorporate neither an emergency core-cooling system nor a containment building.//

25X1 [redacted] //Cuba has limited energy sources and has been totally dependent on Soviet oil for producing electricity. According to Cuba's Minister of Mines and Geology, the prospects of locating uranium deposits in Cuba are not promising.//

25X1 [redacted] //The two nuclear power plants will substantially increase Cuba's electric power generating capacity. By the end of 1978, Cuba plans to have about 2,000 megawatts of installed electrical capacity provided by fossil fuel power plants. Additional 110,000- and 220,000-volt transmission lines will be installed to complete the interconnection of electric power circuits throughout the island. [redacted]

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JORDAN: Press Attacks on Egypt

25X1 [redacted] The Jordanian press has sharply attacked Egypt for revoking privileges for Palestinian residents and for its reaction to the terrorist affair in Cyprus. The press attacks, which come at a time when Jordanian relations with the Palestine Liberation Organization appear to be improving, may be intended as a signal to the Egyptians that Jordan will not join any Egyptian attempt to downgrade the PLO.

25X1 [redacted] An editorial in the semiofficial daily *Ar-Ray* accused Egypt of losing its nerve and described Cairo's reaction to the terrorist attack as "not based on reasonable standpoints." The paper belittled Egypt's condemnation of all Palestinians as terrorists and deplored Cairo's suggestions that all Cypriots were guilty of collusion in the attack.

25X1 [redacted] The article noted that when Jordanian Prime Minister Wasfi Tal was assassinated by Palestinians in Cairo five years ago, the Jordanian reaction was muted even though the Egyptians allowed the assassins to go free after a show trial.

25X1 [redacted] Another newspaper compared Egypt's treatment of the Palestinians to Israel's treatment of Arabs in the West Bank and pointed out that other Arab countries had not punished the mass of Palestinians because of the actions of a few terrorists.

25X1 [redacted] Such harsh language is unusual for the Jordanian media, which have generally been supportive of Egyptian President Sadat's peace initiatives. The press attacks, which also contained language supporting the Palestinian cause, appear to be another step in the cautious improvement of relations between Jordan and the PLO. They follow shortly after the publicizing of a friendly exchange of letters between King Husayn and PLO chief Yasir Arafat and reports of a renewed Jordanian-PLO dialogue.

25X1 [redacted] The articles could have been intended to remind the Egyptians that Jordan will not openly take part in any effort to promote an alternative Palestinian leadership--something that the Egyptian press has hinted at recently. Jordan has no love for the PLO, and does not want to seem to be favoring terrorist attacks, but it believes the risks of any attempt to downgrade the PLO at this time are too great. [redacted]

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WEST GERMANY: Strike Vote Called

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[redacted] //The metal workers' unions in two West German states have called for a strike vote next week because of stalled wage negotiations. More than 1,500,000 workers--or approximately two-thirds of the membership of West Germany's largest union--could be affected by the outcome of the vote. While West Germany's labor problems are not yet critical, they are particularly embarrassing for the Social Democratic - led government. Prolonged strikes or inflationary settlements will cause problems for the government coalition, which faces several tough state elections this year.//

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[redacted] //Negotiations in North Rhine-Westphalia broke down last week with the metal workers and management still far apart. The unions initially demanded an 8-percent wage increase, while the employers offered only 3 percent. Talks in northern Baden-Wuerttemberg also collapsed last week when a conciliation board submitted a proposal providing for a 4.8-percent increase that both sides rejected. Most workers seem determined to hold out for a settlement exceeding the government's suggested ceiling of 5 percent.//

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[redacted] //If the strike vote carries--75 percent of the membership must approve it--union locals in other parts of the country may join. A national strike by the metal workers would idle nearly 35 percent of the membership of the powerful German Federation of Trade Unions and possibly encourage other trade unions in the 7.5-million - member organization to demand wage increases exceeding the government's proposed ceiling.//

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[redacted] //Three other major unions in the federation are either on the verge of difficult negotiations or already deadlocked. The Union for Government Employees--the country's second largest--has asked for a 7.5-percent pay increase. If it wins such a settlement, other unions will be encouraged to hold out for more than 5 percent. [redacted]

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TURKEY: Lira Devaluation

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[redacted] Turkey moved yesterday to devalue the lira by 23 percent against the dollar and bring the official rate roughly into line with prevailing black market rates. This move, together with the passage of a restrained 1978 budget and the

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[redacted]

25X1 announcement of other austerity measures, may meet the International Monetary Fund's conditions for a standby loan agreement.

25X1 [redacted] Turkey has been battling a worsening foreign exchange shortage for over a year, with all major creditors making new assistance conditional on an IMF agreement. IMF loan negotiations with the previous government had stalled when the coalition was unable to agree on what to include in an IMF stabilization plan.

25X1 [redacted] Although the six-week-old government of Prime Minister Ecevit has had no formal contact with the IMF, it has benefited from the previous government's experience; it has approved the Fund-recommended import ceiling of \$4.85 billion and passed a budget within the Fund's acceptable range. Devaluation and acceptance of an interruption in real GNP growth, recommended by the IMF and the main stumbling blocks of the former government, have now both been accepted by the Ecevit government. Limits to monetary expansion, the remaining IMF recommendation, have not been dealt with explicitly; but since monetary expansion is closely linked with the budget deficit, explicit monetary targets should not present a problem. The new measures move in the right direction, although a negative note is struck by the government's decision to subsidize imports of oil and fertilizer rather than to pass on to consumers the price increases implied by devaluation.

25X1 [redacted] Austerity measures announced during February included interest rate hikes, restrictions on travelers, and curtailment of duty-free imports by returning travelers. These steps should begin to reduce the country's unhealthy reliance on short-term credits for import financing and chip perhaps \$200 million off the current account deficit.

25X1 [redacted] Ecevit apparently chose to enact austerity measures before reconvening IMF talks mainly to avoid the appearance of acceding to foreign demands. These measures will aggravate already serious problems of inflation--running at 40 percent--and unemployment--over 15 percent and will be difficult enough to enforce without their seeming to be imposed from outside.

25X1 [redacted] IMF experts must examine the Turkish measures to determine whether the targets and estimates are realistic. In particular, budget estimates for legally mandated expenditures such

as government salaries, transfers, and subsidies must be verified, and some revisions are likely.

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Overall, however, Turkey may have met the conditions for a standby agreement, and official talks are expected to resume next week. While the money available from the IMF for 1978 (\$110 million at most) is minuscule compared to Turkey's short-term debt of \$4 billion to \$4.5 billion, an IMF loan would open the door to both new credits and an orderly refinancing of the \$2 billion to \$2.5 billion now due. Turkey's economy will continue to be seriously constrained by balance of payments considerations at least through 1979, with a return to rapid growth in the 1980s conditional upon Ankara's success in generating foreign exchange.

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NORWAY-USSR: Radar Interference

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//Norway plans to introduce, probably tomorrow, a resolution at the International Telecommunications Union Aeronautical Mobile Radio Conference in Geneva calling on the USSR to cease interference on high frequencies allocated to aircraft. The Soviets' tests of their over-the-horizon radar near Kiev have also disrupted high-frequency broadcast, fixed, maritime, and amateur services since mid-1976.//

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//Other northern European nations are sure to sympathize with the Norwegian resolution. The less developed countries may also be sympathetic, even though they suffer little interference from the Kiev radar. These countries are apt to view the Soviet practice as another example of superpower exploitation of a natural resource--the radio spectrum.//

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//The Norwegians probably do not expect the USSR to cease testing as a result of international pressure. The Soviets have already reacted to earlier international complaints, however, by modifying their test program. They have attempted to restrict operation in those frequencies used by amateur radio and commercial operators. Because of the modulation formats and large effective radiated power of the radar, interference still pervades much of the high-frequency band.

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PAKISTAN: Political Plans

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[redacted] Prospects for an early return to civilian rule in Pakistan continue to diminish. When Chief Martial Law Administrator Zia-ul-Haq seized power last July, he planned to turn over power to the winner of an election in October. He has since become both more aware of the difficulties of reestablishing civilian rule and more concerned about the character of the successor government. Although he still talks about an election, the military seems to be preparing to remain in power for an extended time.

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[redacted] Publicly, Zia is now saying that an election will be held only when it can produce "positive results." [redacted]

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[redacted] Zia's goal is the establishment of an honest, stable civilian government, but he may now see no way to achieve this. He is determined that former Prime Minister Bhutto and his close associates not return to power, and his doubts about the competence and honesty of Bhutto's opponents are intensifying.

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[redacted] The National Advisory Council is in effect a cabinet, and similar bodies will be formed at provincial and local levels. Although these predominantly civilian bodies will relieve the military of much of the direct responsibility for government operations, the decision that these bodies are needed is a fairly clear indication that the military expects to remain in control for some time.

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[redacted] The military coup was greeted with relief by most Pakistanis, but the military government's popularity has eroded steadily. Some of Zia's economic programs are unpopular, the belief is growing that military officials are corrupt, and the increase in civil disorder--although most incidents have not been politically motivated--reflects popular discontent.

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[redacted] Zia is reacting by tightening government control. He has banned all political activity until the end of this month-- and this ban obviously can be extended. He has extended the jurisdiction of military courts to any case normally heard in a civilian court. Arrests of politicians--especially those still

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loyal to Bhutto--are clearly increasing. Although formal censorship has not been reimposed, the press is increasingly constrained.

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[redacted] There are a number of parallels between Zia's actions and those of former President Ayub Khan, who seized power in 1958 and established a regime that lasted for 10 years. The differences, however, could foreshadow serious problems for Zia and his country. Ayub was far more popular than Zia, the Pakistani people were far less politicized, and Ayub quickly demonstrated a political ability that Zia apparently lacks.

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BRIEF

FINLAND

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[redacted] Finnish Prime Minister Sorsa, under pressure from President Kekkonen to form a new government by 1 March, yesterday announced agreement on a new four-party coalition. The new government is virtually the same as the five-party coalition that resigned last month except that the small Swedish People's Party apparently has decided to drop out.

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[redacted] The loss of this small party shifts the composition of the government slightly to the left. According to Sorsa, the government's programs will not change and only two cabinet portfolios--justice and education--will change hands. [redacted]

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